Argentina's Peso Sinks After Currency Controls Lifted
Peso loses quarter of its value against the U.S. dollar a day after new government moves to kick-start economy (Wsj12.17.15 by Taos Turner)

BUENOS AIRES—Argentina's peso lost more than a quarter of its value against the U.S. dollar Thursday, **a day after the new government of President Mauricio Macri said it would lift currency controls t**o attract investors and kick-start the economy.

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Economists had expected Argentina's currency to weaken following Wednesday's news that the government was ending a four-year policy of strict limits on the sale of U.S. dollars, a policy that restricted imports, hurt economic growth and spawned a thriving black market in the currency. The previous black-market rate on Wednesday was about 14.50 pesos to the dollar.

In the days since he took office, Mr. Macri has moved quickly to undo the economic legacy of 12 years of populist policies by his predecessors, Cristina Kirchner and her late husband, Néstor. The pair expanded the government's role in the economy, including **nationalizing some companies, expanding subsidies and launching price controls**.

Mr. Macri's administration has **eliminated most farm export taxes, cut personal income taxes, begun restaffing Argentina's discredited statistics agency, and replaced the central-bank president.**

But **scrapping currency controls** is the biggest move so far and one that will shape the coming months of his administration.

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"We are still going through the process of price discovery," said Goldman Sachs economist Alberto Ramos. "The fact that there wasn't a crazy move early in the morning to 15.50 or 16, and the central bank had to show its hand very quickly, is in itself evidence that they prepared the ground relatively well and communicated the move relatively well to make this a successful experiment."

Argentina's central bank said it didn't intervene to support the peso on Thursday.

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Argentina doesn't have deep dollar reserves to defend the peso, by buying the currency to prop up its price against the greenback. Over the past four years, the central bank's foreign-currency reserves have plummeted to about $24 billion from more than $52 billion. Economists said the central bank's real net reserves are far lower considering liabilities such as money owed to importers and outstanding bond payments.

To ease those fears, Finance Minister Alfonso Prat-Gay said Wednesday that Argentina is on track to obtain between $15 billion and $25 billion in cash from agreements with international banks, grain exporters and China's central bank.

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Summary:

Argentina’s peso plummeted by over 25% against the U.S. dollar following the new government's decision, under President Mauricio Macri, to lift currency controls. These controls were initially put in place as a four-year policy to set strict limits on the sale of U.S. dollars. This prior policy constrained imports, hindered economic growth, and gave birth to a booming black market. Before this announcement, the black-market rate was roughly 14.50 pesos to the dollar.

Macri, since coming into power, has worked swiftly to roll back the populist economic policies of his predecessors, Cristina Kirchner and her late husband, Néstor. These predecessors expanded the government's influence in the economic sector, including the nationalization of companies, the initiation of price controls, and the expansion of subsidies.

Macri’s measures include eliminating most farm export taxes, reducing personal income taxes, overhauling the statistics agency, and appointing a new central-bank president. Despite the drop in peso's value, there was a general consensus that the move was well-communicated, avoiding a more drastic plunge.

Argentina's central bank, facing dwindling foreign-currency reserves, did not intervene to back the peso. Finance Minister Alfonso Prat-Gay assured that Argentina is set to acquire between $15 billion and $25 billion from various international agreements to assuage concerns.

True-False Questions:

1. **Argentina's peso declined by 10% against the U.S. dollar after the government lifted currency controls.**
    - False. The peso lost more than a quarter (25%) of its value against the U.S. dollar after the currency controls were lifted.
2. **The black-market rate for the peso before the announcement was approximately 20 pesos to the dollar.**
    - False. The black-market rate before the announcement was about 14.50 pesos to the dollar.
3. **President Mauricio Macri's predecessors, Cristina Kirchner and Néstor, reduced the government's role in the economy during their tenure.**
    - False. The pair expanded the government’s role in the economy, including practices like nationalizing some companies and introducing price controls.
4. **One of President Macri’s early actions was the elimination of most farm export taxes.**
    - True. Macri’s administration eliminated most farm export taxes among other economic measures.
5. **Argentina's central bank actively intervened to support the peso's value the day after currency controls were lifted.**
    - False. Argentina’s central bank said it didn’t intervene to support the peso on that day.

Argentina Economy Showing Signs of Recovery, National Agency Says
President Macri’s economic overhauls, including tax cuts and deregulation, spurring growth in farming
Wsj3.21.17 By Taos Turner

BUENOS AIRES—Argentina’s battered economy showed signs of recovering in the fourth quarter of 2016, growing 0.5% from the previous quarter, the national statics agency said Tuesday.

The recovery, though tepid, comes as analysts are forecasting a 3% expansion this year thanks to rising output in the farming, construction and energy industries. **It also comes as Argentines are increasingly weary of promises that President Mauricio Macri’s pro-business policies will bear fruit.**

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Mr. Macri’s economic overhauls, **including tax cuts and deregulation, have spurred growth in farming and led to record harvests. Meantime, investors are expected to put more money into mining and financial services this year.**

…...

True-False Questions:

1. Analysts are predicting a 5% decline of the Argentinian economy this year.
    - False. Analysts are forecasting a 3% expansion for the year.
2. The recovery comes amidst a widespread belief among Argentines in the guaranteed success of President Macri's pro-business policies.
    - False. The recovery is occurring while Argentines are increasingly skeptical of President Mauricio Macri’s pro-business policies yielding positive outcomes.
3. President Macri has introduced economic reforms such as increasing taxes and stringent regulations.
    - False. Macri’s economic reforms include tax cuts and deregulation.
4. The recovery in Argentina’s economy is primarily attributed to the technology and manufacturing sectors.
    - False. The recovery is attributed to rising output in the farming, construction, and energy industries.

Argentina Sells $2.75 Billion of 100-Year Bonds
Argentina becomes the first junk-rated government to sell so-called century bonds
Wsj6.19.17 Julie Wernau and Taos Turner

Argentina sold a 100-year bond on Monday, the latest sign of investor hunger for yield as the country joined a small group to sell so-called century bonds. The Argentine government raised $2.75 billion through the debt issue with a yield of 7.9%, the country's Ministry of Finance said. Proceeds from the private-placement offering will go toward financing its budget and refinancing existing debt.

The yield was lower than the initial price talk of 8.25%, an indication that many investors around the world jumped at the chance to own debt with yields exceeding those of even many emerging-market issuers.

Argentina follows the governments of Mexico, the U.K. and Ireland as sellers of 100-year debt. But **Argentina's bond offering marked the first time a junk-rated government sold century bonds.**

The deal is another significant step in Argentina's turnaround in global financial markets. *At the start of last year, Argentina was effectively barred from international bond markets, the result of an $80 billion default in 2001 that was the largest government default ever at the time.*

Yet after settling with creditors last year, the government was able to return to international debt markets in April 2016 with a $16.5 billion global bond. That was the largest-ever sovereign-bond issuance by a developing country before Saudi Arabia later topped it a few months later. Argentina Finance Minister Luis Caputo said the issuance was possible because the country was able to recover credibility in world markets.

"It's just shocking that they exit default and their bond issue is a century bond," said Kathryn Rooney Vera, head of research and strategy at broker and investment bank Bulltick in Miami. Nonetheless, she is advising her clients to buy the bonds as at least a short-term trade. The 100-year bond is being priced at a yield premium of nearly a percentage point compared with Argentina's 30-year bond. The century bond was already trading one point higher in gray-market trading before formal issuance, she said.

Others said that 100-year bonds could prove attractive to some institutions that need to match their investments with their **long-term liabilities**. "The absolute yield level of these bonds will attract a certain type of investor, **for instance insurance companies and pension funds,"** said Jan Dehn, head of research at fund manager Ashmore Group in London, who said before the pricing that he was considering a position.

What's more, as long as interest rates remain near historic lows, some investors seeking yield will give Argentina a look, some analysts said. Following the U.S. presidential election, many thought that President Donald Trump and a Republican-controlled Congress would enact legislation to stimulate the economy and inflation, bringing to a close the long period of rock-bottom rates. **But legislative action to enact those policies has stalled and the 10-year Treasury yield recently closed at a new low for the year even after the Federal Reserve raised rates last week.**
"The markets have become more skeptical that the Fed in fact will continue to hike into next year," said Jorge Mariscal, emerging-markets chief investment officer at UBS Wealth Management. "The interest-rate picture has become benign and that's supportive of long duration bonds."

Still, **100 years is a long time for a government such as Argentina, which has defaulted eight times since 1827**, according to Harvard economist Ken Rogoff. ((note: May 2020 – defaulted again → 9 times))

U.S. issuers have sold about three-quarters of so-called century bonds, according to UBS Wealth Management. Companies such as **Coca-Cola and Walt Disney** issued this debt in the 1990s. Only a handful of issuers in emerging markets have sold 100-year bonds and only Mexico and Brazil have had deals that topped $1 billion, UBS said.

The century bonds have been one way for countries to lock in low rates, in some cases almost perpetually. In 2014, Britain repaid a chunk of debt that was so old it had been used to finance World War I, bundled together in 1927. *The 4% callable, "perpetual" note was a good deal for the government for nearly a century before rates tumbled*.

Argentina's bonds have outperformed the broader market this year. Its sovereign debt is up 8.3% in 2017 versus 6.92% for the broader J.P. Morgan EMBI-Global Diversified government-bond index. The country's new 100-year bond "is very attractive for investors, and it may be politically useful for the government," said Rafael Di Giorno, director of Proficio Investment Management, a Buenos Aires-based asset investment firm, who is looking to buy bonds in the secondary market.

Still, some investors remained skeptical of the deal. Diego Ferro, co-chief investment officer at Greylock Capital Management, said he isn't interested in buying into 100 years of Argentina. "Argentina structurally has a problem—it has a big fiscal deficit and they can't address it before the election; so they need to plug the hole," he said.

Summary:

Argentina took a bold step in global financial markets by issuing a 100-year bond, raising $2.75 billion at a yield of 7.9%. This yield was below the expected rate of 8.25%, indicating strong demand from investors keen to capitalize on high-yielding debt. While Mexico, the U.K., and Ireland have also issued century bonds, Argentina's issuance is significant since it's the first instance of a junk-rated government doing so.

This move comes after Argentina was sidelined from international bond markets due to an $80 billion default in 2001, which was the most massive government default at that time. However, after settling with creditors, Argentina managed to return to the international scene with a significant bond issuance in 2016.

These century bonds might be particularly enticing for institutions like insurance companies and pension funds that have long-term liabilities. Nonetheless, considering Argentina's history of multiple defaults since 1827 (and another in 2020), some investors remain wary of the century bond.

True-False Questions:

1. Before Argentina, only Mexico had ever sold 100-year bonds.
    - False. Before Argentina, governments like Mexico, the U.K., and Ireland had issued 100-year bonds.
2. Argentina was welcomed in international bond markets throughout the early 2000s.
    - False. Argentina was effectively barred from international bond markets after an $80 billion default in 2001.
3. Argentina's sovereign debt has underperformed the broader market in the year the article was published.
    - False. Argentina’s bonds outperformed the broader market, with its sovereign debt up 8.3% versus 6.92% for the J.P. Morgan EMBI-Global Diversified government-bond index.

Argentina to Join Widely Watched Emerging Markets Index By MSCI
MSCI said it would also add Saudi Arabia to the emerging markets index
(6.20.18 by Julie Wernau and Nicolas Parasie)

MSCI returned Argentina to emerging market status for the first time in nearly a decade, a move that is expected to provide a much-needed boost to the beleaguered country as it struggles to maintain credibility with investors after a widespread selloff in its currency.

Inclusion in the index is expected to draw billions of dollars in passive investment into Argentina's stock market at a time of vulnerability. The MSCI Argentina index is down 37% this year, the peso has fallen 33% against the dollar and Argentine bonds have dropped 14%. ((Note: The Argentine stock market surged on the next day, 6.21.18.))

Separately, MSCI said it would add Saudi Arabia to the emerging markets index, a move that could attract tens of billions of dollars in foreign investment to the stock market. It also provides a vote of confidence for the Saudi stock market as the government considers taking public the giant state-owned oil company, known as Aramco.

Both countries will officially join the emerging-markets gauge in May 2019, MSCI said Wednesday. Only foreign listings of Argentine companies will be included initially. Argentina had previously been classified as a frontier index and Saudi Arabia was a stand-alone index.

Morgan Stanley estimates the MSCI move could boost Argentine share prices by 20% over the next four months, based on $4 billion in fresh inflows. But if MSCI had excluded the country from its emerging markets index, that would have triggered another 6% decline in the market, the bank said.

Argentina still faces an uphill battle as it contends with higher interest rates in the U.S., a rising dollar and other market dynamics that could turn investors away from riskier assets. Some analysts say that runaway inflation and high local interest rates could lead the country into a recession.

MSCI said that investor confidence in Argentina's ability to maintain accessibility to the country's stock market was a key factor in the decision. MSCI also warned that it would review the reclassification were Argentine authorities to introduce market accessibility restrictions, such as capital or foreign exchange controls.

In 2017, MSCI delayed the upgrade based on investor concerns that recently implemented market accessibility improvements needed to remain in place for a longer time period to be deemed irreversible.

"There were several positive arguments for the reclassification," said Diego Celedon, equity strategist for the Andean and the Southern Cone at JPMorgan Chase. "The market wanted more certainty that the changes this administration was making were irreversible. The changes are still in place one year later."

The country was largely expected to qualify for the upgrade before a selloff in its currency spooked investors out of the market and pushed the country's President Mauricio Macri to turn to the IMF for a bailout. Just days before the decision, investors said it was unclear whether MSCI would be willing to take the risk on beleaguered Argentina.

The country was the darling of the markets last year amid a new reform-minded government that resolved a longstanding dispute with creditors over a 2001 default. Argentina's dramatic return to the international markets included selling **a 100-year bond** to creditors who until recently had viewed the nation as a serial defaulter and a pariah.

But in April when the dollar turned higher and U.S. interest rates climbed, the markets turned on Argentina. The central bank began selling off its reserves to support a sagging currency and a series of communication missteps on the part of the central bank sparked concerns among investors that the government could delay fiscal changes that are unpopular among Argentines.

MSCI isn't a legal body. Its decisions are made based on technical issues aimed at ensuring market access for investors. The firm solicits input from investors who track its indexes. Confidence that a country can maintain investor-friendly policies remains key to any upgrade.

Argentina was downgraded to a frontier economy in 2009 because the government had instituted capital controls that made it difficult for foreign investors to enter and leave the equity market.

Beginning in December 2015 when the country's business-friendly president, Mr. Macri, came to power, the Argentine Central Bank moved to abolish foreign exchange restrictions, allowed its currency to float and eliminated monthly repatriation limits and lock-up periods that made it difficult to for investors to get dollars out of the country.

MSCI said the Saudi stocks would have a weight of 2.6% in the emerging market index, but that could rise if Saudi Arabia goes ahead with the initial public offering of state-owned oil giant **Aramco** on the local exchange. Saudi Arabia's government is trying to make the economy less reliant on oil by raising money with the IPO to invest in other sectors.

Ehsan Khoman, head of research for the Middle East at Bank of Tokyo-Mitsubishi, estimates that up to $40 billion of fresh foreign inflows would be channeled into Saudi Arabia's stock market in the next year.

"People will realize Saudi Arabia is becoming a more sophisticated financial player, this will open doors to other parts of the economy," Mr. Khoman said.

The Saudi stock market closed flat on Wednesday ahead of the MSCI decision, after having risen 16% since the start of the year.

((Note: MSCI, an index provider, classifies stock markets around the world into three:1) developed markets (best); 2) emerging markets; 3) frontier markets.))

Summary:

MSCI has upgraded Argentina back to emerging market status for the first time in almost a decade. This significant development comes during a period of financial vulnerability for Argentina, with its stock market, currency, and bonds experiencing sharp declines this year. The inclusion in the emerging market index is anticipated to attract billions in passive investment, offering the struggling Argentine market some relief. MSCI also announced the inclusion of Saudi Arabia in the emerging markets index. This is a nod of confidence for the Saudi stock market, especially as the country plans to publicize its state-owned oil company, Aramco. Both nations are set to officially join the emerging markets index in May 2019. Despite this recognition, Argentina still faces potential challenges like high local interest rates, inflation, and global market dynamics that could deter investors. The MSCI reclassification was largely based on the nation's capability to maintain accessibility to its stock market. It's worth noting that MSCI downgraded Argentina to a frontier economy in 2009 due to restrictive capital controls but has recognized recent measures to improve market accessibility.

Argentina’s President Suffers Setback in Primary
Vote indicated Mauricio Macri may be voted out of office in October and see his market overhauls undone (wsj8.12.19 By Ryan Dube)

Argentina’s pro-business President Mauricio Macri suffered a crushing setback in a primary election on Sunday, indicating that he may lose re-election in October’s election and see his market overhauls unraveled by his leftist rivals. ((NOTE: Macri did lose in Oct.))

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(Until recently, most investors believed the re-election of Mauricio Macri, Argentina’s market-friendly president, was assured. But that changed after last year’s currency crisis wrought havoc on the economy and forced Mr Macri to ask for a $56.3bn bailout from the IMF.[1])

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The outcome of the vote could stoke volatility in Latin America’s third-biggest economy weeks after Argentina and three other South American countries reached a trade deal with the European Union that would open up Argentina’s economy, one of the most closed in the world. **Mr. Fernandez has criticized the pact as a deathblow to Argentina’s protected industry.**

During her eight-year term that ended in 2015, Mrs. Kirchner nationalized businesses, implemented price controls and defaulted on Argentina’s debt. Her administration was marred by corruption scandals, with Mrs. Kirchner now facing trial on graft charges, which she denies.

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The poor showing by the president could spark selling of Argentina’s currency that would push inflation higher and fuel more discontent, said Matias Carugati, head economist at Buenos Aires-based pollster Management & Fit.

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To cope with the currency crisis, the government received a $57 billion bailout last year from the International Monetary Fund, the fund’s largest ever. Unemployment and poverty increased over the past year as businesses closed.

In June, inflation was at 56%, among the world’s highest.

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Summary:

In a primary election, Argentina's pro-business President Mauricio Macri faced a significant setback, suggesting he might be ousted in the forthcoming October election and his market reforms could be reversed by his leftist opposition. Previously, the majority of investors were confident about Macri's re-election. However, his image was tainted following a currency crisis which had severe repercussions for the economy, pushing him to seek a colossal $56.3 billion bailout from the IMF. The election results could bring instability to Argentina, Latin America's third-largest economy. This comes at a time when Argentina, along with three other South

[1] Sep 2018: $57 billion loan by IMF – largest loan in IMF history.

American nations, inked a trade agreement with the European Union. This deal aims to open Argentina's famously closed economy to the world. Notably, the leftist candidate, Mr. Fernandez, has been a critic of the agreement, viewing it as detrimental to Argentina's shielded industries. The country's past under Mrs. Kirchner, another leftist figure, saw nationalizations, price controls, and debt default. Mrs. Kirchner's tenure was not without controversy, as it was riddled with corruption scandals, leading her to face graft charges. Macri's poor performance in the primaries could have economic repercussions, potentially driving the national currency's value down, escalating inflation, and increasing public discontent. This economic strain builds on existing challenges: despite a $57 billion bailout from the IMF (the institution's largest ever), the country has experienced rising unemployment and poverty rates. Furthermore, as of June, Argentina had an inflation rate of 56%, one of the highest globally.

True-False Questions:

1. **President Mauricio Macri was assured a win in the primary election.**
    - False. Mauricio Macri suffered a crushing setback in the primary election.
2. **Argentina's currency crisis led to a bailout from the World Bank.**
    - False. The bailout was from the International Monetary Fund (IMF).
3. **The currency crisis led to a decrease in unemployment in Argentina.**
    - False. Unemployment and poverty increased over the past year as businesses closed.
4. **In June, Argentina’s inflation rate was among the world’s lowest.**
    - False. In June, inflation was at 56%, among the world’s highest.

Argentine Finance Minister Seeks $44 Billion IMF Debt Deal Without Belt-Tightening
Governing coalition faces internal dissension; leftist Vice President Cristina Kirchner opposes spending cuts
Wsj1.30.21 Santiago Pérez and Ryan Dube

With Argentina broke, Finance Minister Martín Guzmán is pushing for a deal by May with the International Monetary Fund to repay $44 billion in debt. To win the IMF's acquiescence, he'll narrow a yawning budget gap, he said in an interview on Friday.

It is the traditional path that Argentina, which has defaulted nine times on sovereign debt, has taken when its economy has hit rock bottom, as it has now during a punishing pandemic that led to a 10% economic contraction 2020. But Mr. Guzmán said his plan falls short of the draconian austerity measures the IMF imposed with other governments.

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Vice President Cristina Kirchner, leader of a far-left faction, calls for strong state intervention and public spending to preserve the purchasing power of Argentine workers, a policy that marked her two terms as president.

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Economists are skeptical that Argentina can generate revenue. And they say subsidies and price controls need to be ditched.

Argentina hands out subsidies to electricity companies, heating gas providers and public transport firms to offset the low prices they are forced to charge. Subsidies for public services rose to 2.3% of gross domestic product last year from 1.6%.

Mrs. Kirchner has her eye on October's midterm elections, when voters could punish her Peronist movement if the IMF deal leads to higher utility prices. Many of her supporters inhabit the poor, densely populated outskirts of cities like Buenos Aires, where aid workers have seen a surge of people at soup kitchens as **the poverty rate rose to 45% last year.**

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Argentina has received more than 20 financial-aid programs from the IMF since the late 1950s, the latest in 2018 when then-President Mauricio Macri faced a currency crisis.

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Argentina reached a deal with private bondholders last year to postpone payments on an additional $65 billion in debt, but an IMF deal is essential if the South American country is to regain access to international debt markets.

While regional peers have tapped debt markets for funds to fight the pandemic—Peru recently sold a 100-year bond—**Argentina has become even more isolated. Argentines have rushed to the safety of the dollar, draining the central bank's dollars it holds in cash to about $1.5 billion**. The price of Argentine debt has plunged as the government failed to outline plans to stabilize the economy and make future debt payments.

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((NOTE:

- May 2020: Argentine government defaulted again → total # of defaults = 9 times.

- June 2021: Argentina was reclassified as MSCI Standalone Market by MSCI, **taken off from the Emerging Market status**. The standalone market category places the argentine market within a small group (which also includes Jamaica, Panama, Trinidad & Tobago, Bosnia, Malta, Zimbabwe, Lebanon and Palestine) and was established due to the exchange controls set forth in Argentina as of September 1st, 2019, are **not in line with the accessibility criteria for the MSCI Emerging Markets Index and MSCI Frontier Markets Index.**))

Summary:

In an attempt to address Argentina's financial challenges, Finance Minister Martín Guzmán is advocating for a deal with the International Monetary Fund (IMF) to repay a $44 billion debt. While Argentina has traditionally resorted to the IMF during economic downturns, such as the recent 10% contraction due to the pandemic, Guzmán's proposal differs from past austerity measures imposed by the IMF.

The Vice President, Cristina Kirchner, representing a far-left faction, opposes spending cuts and instead champions increased public spending and state intervention. Economists, however, are wary of Argentina's capacity to boost revenue, suggesting that subsidies and price controls need reevaluation.

The subsidies, which have grown from 1.6% to 2.3% of the GDP, particularly benefit utility providers. Kirchner is concerned about the potential political fallout from an IMF deal that might increase utility costs. Historically, Argentina has engaged with over 20 IMF financial-aid programs since the late 1950s.

Although the nation negotiated a delay in private bondholder payments amounting to $65 billion, a deal with the IMF is crucial for reentry into the global debt market. The country faces isolation as the price of its debt decreases and it struggles to stabilize its economy.

True/False Questions:

1. **Argentina's economy grew by 10% during the pandemic.**
    - **Answer:** False.
    - **Reason:** The article mentions a 10% economic contraction in 2020 due to the pandemic.
2. **Vice President Cristina Kirchner is a strong advocate for IMF-imposed austerity measures.**
    - **Answer:** False.
    - **Reason:** Cristina Kirchner calls for strong state intervention and public spending, contrasting the austerity measures of the IMF.
3. **Argentina has been involved in over 10 financial-aid programs with the IMF since the late 1950s.**
    - **Answer:** True.
    - **Reason:** The article states that Argentina has received more than 20 financial-aid programs from the IMF since the late 1950s.
4. **In June 2021, Argentina was categorized as an MSCI Standalone Market due to its alignment with the accessibility criteria for the MSCI Emerging Markets Index.**
    - **Answer:** False.
    - **Reason:** Argentina was reclassified as an MSCI Standalone Market because it did not align with the accessibility criteria for the MSCI Emerging Markets Index and MSCI Frontier Markets Index.

Think 9% inflation is bad? Try 90%.
With the world grappling with rising prices, a tour through Aregentina reveals that years of inflation can give rise to a truly bizarre economy. Argentina has dealt with rapidly rising prices for much of the past 50 years. People have been left with little idea of how much things should cost.

Nyt8.6.22 by Jack Nicas and Ana Lankes

BUENOS AIRES — Eduardo Rabuffetti is an Argentine who has been to the United States once, his 1999 honeymoon in Miami. Yet he probably knows the $100 bill better than most Americans.

He says he can pick out a counterfeit by touch. He can tell you exactly what $100,000 looks like. (Ten half-inch stacks, small enough to hold in one hand.) And on numerous occasions, he has walked down the streets of Buenos Aires with tens of thousands of U.S. dollars tucked into his jacket.

That is because Mr. Rabuffetti, a property developer who has built two office towers and a house here, **bought the land for each of those buildings in $100 bills.**

"Here, if you don't actually see the money, nobody signs anything," he said. "After the number of crises we've been through, let's just say you get used to it."

It is not just Mr. Rabuffetti. Nearly every big purchase in Argentina — land, houses, cars, expensive art — is done in tall stacks of U.S. currency. To save up, Argentines stuff bundles of American bills into old clothes, beneath floor boards and in bombproof safe deposit boxes past nine locked gates and five stories beneath the ground.

Argentines hold so much U.S. currency — experts believe perhaps more than anywhere outside the United States — sometimes it gets thrown away by mistake. Last month, passers-by found tens of thousands of dollars blowing around at an Argentine dump.

The dollar is king in Argentina because the **Argentine peso is disintegrating in value**, particularly over the past month. **One year ago, about 180 pesos could buy $1 on the widely used black market. Now it takes 298 pesos to buy a buck.** With the peso plummeting, prices are soaring to keep up. Many economists expect inflation here, already at 64 percent this year, to hit 90 percent by December.

It is one of the country's worst economic crises in decades, and that is saying something for Argentina.

As countries across the world try to cope with rising prices, there is perhaps no major economy that understands how to live with inflation better than Argentina.

The country has struggled with rapidly rising prices for much of the past 50 years. During a chaotic stretch in the late 1980s, inflation hit a nearly unbelievable 3,000 percent and residents rushed to snatch up groceries before clerks with price guns could make their rounds. Now high inflation is back, exceeding 30 percent every year since 2018.

To understand how Argentines cope, we spent two weeks in and around Buenos Aires, talking to economists, politicians, farmers, restaurateurs, realtors, barbers, taxi drivers, money changers, street performers, street vendors and the unemployed.

The economy is not always the best conversation starter, but in Argentina, it animated just about everyone, eliciting curses, deep sighs and informed opinions about monetary policy. One woman happily showed off her hiding spot for a wad of U.S. dollars (an old ski jacket), another explained how she stuffed cash into her bra to buy a condo, and a *Venezuelan waitress wondered whether she had immigrated to the right country*.

One thing became strikingly clear: Argentines have developed a highly unusual relationship with their money.

They spend their pesos as quickly as they get them. They buy everything from TVs to potato peelers in installments. **They don't trust banks. They hardly use credit**. And after years of constant price hikes, they are left with little idea of how much things should cost.

Argentina shows that people will find a way to adapt to years of high inflation, living in an economy that is impossible to fathom almost anywhere else in the world. Life is especially manageable for those with the means to make the upside-down system work. But all those striking workarounds mean that few who have held political power during years of economic distress have found themselves paying a real price.

"We ask ourselves the same thing: How is society allowing these things to happen?" said Juan Piantoni, the head of Ingot, a safe-deposit-box company where business is booming as Argentines pay to stash their cash. "At this moment, I think we're on the eve of a situation that could lead to a major crisis," he added. "No one has lit the fuse yet. But the day that happens, we'll see what we're up against."

So far, things have remained largely calm. Wages for many jobs are rising at nearly 50 percent a year. Landlords can raise rents at similar rates. **And millions of Argentines use the black market to evade government restrictions on buying U.S. dollars.**

The result is that in the wealthier areas of Argentina's capital, construction continues apace and restaurants and bars are packed. The next dinner reservation for two at Anchoita, one of the city's hippest restaurants, is in January 2023.

In poorer neighborhoods, people collect scrap cardboard to sell, pool their money for food and swap used goods to avoid the peso altogether. Argentina's poor typically don't have jobs with automatic wage increases, and they certainly don't have extra cash to buy U.S. dollars. That means they are left making few pesos while everything around them gets much, much more expensive. **About 37 percent of Argentines now live in poverty, up from 30 percent in 2016.**

On July 2, Argentina's economic minister resigned. Over the next 26 days, the peso's value dropped 26 percent. Then President Alberto Fernandez fired the new economic minister. **It was the 21st time that an Argentine economic minister lasted two months or less.**

Argentina's recent bout with hyperinflation is linked to the same things that have driven up prices worldwide, including the war in Ukraine, supply-chain constraints and big increases in public spending.

But many economists believe Argentina's inflation is also self-inflicted. In short, the country spends far more than it takes in to fund free or deeply subsidized health care, universities, energy and public transportation. **To make up for the shortfall, it prints more pesos.**

The International Monetary Fund, which is owed $44 billion from Argentina, has asked the government to cut its deficit and pass stricter monetary policies. On Wednesday, the new minister, Sergio Massa, made one of the most significant steps in years when he pledged that Argentina would stop printing pesos to fund its budget.

Yet many Argentines were skeptical that the country was ready to make the tough choices necessary.

"We might need the patient to have a heart attack before the family says, 'Let's do the surgery,'" said Hugo Alconada Mon, one of the country's top investigative journalists and a best-selling author who spent almost the last of his savings recently on car repairs. "But how many people will end up in poverty because of that? How many people will leave the country?"

Abandoning price tags.

Argentines are hoping the current moment does not spiral into a disaster like 2001, when there was a run on the banks.

That year, it became clear that foreign investors believed the Argentine peso was worth far less than the government's official rate, and Argentines rushed to get their money before it was lost. Instead, the government halted withdrawals — and then gave them all a haircut, reducing everyone's savings in a sudden devaluation. The president resigned and left the government offices in a helicopter to avoid the angry crowds in the regal square out front, Plaza de Mayo.

Two decades later, the angry crowds are still in Plaza de Mayo. Thousands of Argentines gathered there last month to protest the soaring inflation.

Ana Mabel was on the outskirts of the crowd, mixing peanuts and caramelized sugar in a metal vat. She was selling bags of candied peanuts for 200 pesos each, or about 70 cents; she had charged 150 pesos a week earlier. But that increase hardly kept up with her costs. Everything she needed had gotten pricier in just the past few weeks: the peanuts, the sugar, the oil, the gas tank, and the plastic baggies to package the treat. She has five children to support, and for the first time, she had taken on debt.

“Nothing regulates the prices,” she said, frustrated, slowly turning the peanuts in the vat. “The businessmen don’t want it. The government can’t. And that all falls on us.”

For Argentines, it is an old story. **In 2017, prices had risen so much that Argentina doubled the size of its largest bank note to 1,000 pesos, then worth about $58 on the black market. Now that note is worth about $3.45 — about the price of a Big Mac.** *An iPhone can now cost more than 1 million pesos*.

Many Argentines have lost their bearings on value. Menus are constantly changed. Taxi meters are frequently adjusted. And price tags are often outdated.

Oscar Benitez runs a meticulously organized hardware store the size of a large walk-in closet. He sells 80,000 different products, and he hardly knows the price of any of them.

That is because they change every few days, updated in a running list sent by his suppliers that he checks on his computer for every sale. He has largely abandoned price tags.

He shows a pair of scissors that the supplier says should now cost 600 pesos. “A month ago, it was worth 400 pesos,” he said, consulting his list. “A year ago, it was worth 120 pesos.”

He looked exasperated. “It’s sad. But for me, it was always like this,” he said. “If I wasn’t 51 years old, I’d be in the United States, which is what I’m now trying to make happen for my daughters.”

Prices are fluctuating so much that in recent weeks many companies have halted sales to see where prices settle, making it difficult to find certain items, including cooking oil and car parts. Some farmers are also holding onto their wheat and soybeans, betting prices will rise — and blunting the economic benefits of a commodity boom that should benefit an exporter like Argentina.

At a small shop in downtown Buenos Aires, Noelia Mendoza was selling her last stock of toilet paper. Her suppliers said they had no more, so she had raised her prices. A pack of four single-ply rolls now cost 290 pesos, or $1, up 50 percent from a month earlier. “There is going to be a shortage,” she said.

Her friend standing nearby, Carla Cejas, chimed in: *“I never understood the bidet until now.”*

A duffel bag full of 10,000 $100 bills.

Ignacio Jauand, a 34-year-old publicist, buys everything he can in installments, including his bed, his clothes, a PlayStation 5 and a potato peeler.

It’s not that he can’t afford them. It’s that he’s betting the value of the peso will fall. If he’s right, his final payments cost significantly less. That bet, he said, has always paid off. “The last installment I paid for the TV or the fridge cost two or three McDonald’s combos,” he said.

“Buying stuff is how you beat inflation,” he added.

That is the mantra of Argentina. <u>**Pesos disintegrate in value, so you better spend them as quickly as you can**</u>.

People go out to eat or buy appliances, art or cars, while shop owners stock up on inventory, betting prices will only go up. “When I think of my savings in pesos, I say, ‘Let’s pay for a trip, let’s renew something in the house, let’s buy stuff,’” said Eduardo Levy Yeyati, an Argentine economist and visiting professor at Harvard University. “Otherwise I feel like I’m losing money every day by keeping it in the bank.”

Perhaps Argentines’ favorite things to buy? Dollars.

Argentina’s central bank estimates that **Argentine households and nonfinancial firms hold more than $230 billion in foreign financial assets, mostly denominated in U.S. currency. Most of that money is held in international bank accounts, but some is also stashed in safes and hiding places across the country.**

That dependence on the dollar is bad for the peso, so the government restricts Argentines from buying more than $200 in U.S. currency each month. For that amount, Argentines can use the official government exchange rate, which says each U.S. dollar is worth about 130 pesos.

<u>But a different exchange rate — used for Western Union wires, certain corporate transactions, and the black market — values the peso at less than half that: Each dollar is now worth about 300 pesos.</u> (Because this rate is a truer measure of the open market’s view of the peso, we used it to convert values in this article.)

In downtown Buenos Aires, men and women dubbed “arbolitos,” or little trees, stand on street corners hawking dollars. They lead buyers to so-called caves to change the money in private.

It’s all illegal, but police standing nearby don’t seem to mind. Many use the market themselves.

Juan, a money changer who delivers wads of cash on his motorbike, said three of his regular customers are police officers. Even so, he agreed to speak on the condition that only his first name be used.

Money changers and cave managers estimated the black market moves $3 million to $4 million a day. Those dollars underpin much of the economy here.

Yanina Arias, a Buenos Aires real-estate agent, said she has completed hundreds of deals over her 10-year career, but never one in pesos. Sellers often require “dollar bills without stains, without rips, and that are big-faced,” Ms. Arias said. *“Small-faced bills are not accepted.”*

The face in question *is Benjamin Franklin’s. The black market generally offers 3 percent more for newer $100 notes with Mr. Franklin’s enlarged portrait because they are harder to counterfeit*.

Seven Argentines described paying for properties in cash, but few were willing to allow their names to be printed because they were worried about being audited.

To head to the bank to close the deal, they described stuffing tens of thousands of dollars down their pants and into grocery bags full of produce. Ms. Arias said wealthier people have hired armored trucks.

A financial-services worker in Buenos Aires said that when she sold her family’s farm for $1 million a few years ago, the buyer handed her a duffel bag full of 10,000 $100 bills. Later, when she bought her apartment, she put $100,000 of the cash into the pockets of an oversized coat and hustled to the buyers’ home. The sellers, an older couple, insisted on counting each bill by hand.

Trading milk for diapers.

Adela Castillo is overwhelmed by a $15,000 loan to buy a forklift. The debt is in U.S. dollars and she earns pesos, which means the bill grows every day.

After Adela Castillo and her husband lost their jobs during the pandemic — she was a caretaker and he worked in shipping — they took a big risk. They converted their home in one of Buenos Aires’s poorest neighborhoods into a shop selling cement, limestone, paint and plasterboard.

At first, it was paying off. The government was building new affordable housing in the neighborhood, and it became a big buyer. To keep up, she needed a forklift. And to buy one, she needed $15,000 in cash.

A bank would never make that kind of loan, but luckily, she had a family friend who had that much stashed away. “A huge favor,” she said. “Nobody lends you money like that.”

She bought the forklift. “It helped a ton,” she said. Then the value of the peso continued to plummet. “He wants me to pay back in dollars. He doesn’t want pesos,” she said. With each decline in the value of the peso, her debt has effectively grown bigger.

“It’s a screwed-up situation,” she said, standing outside her shop, limestone dust in her hair and down her fleece. She was not sure how she would pay it off. “We’re treading water,” she said. “We’re fighting.”

With the peso losing so much value, some poor Argentines are trying to avoid it altogether.

Silvina López, 37, was standing in the biting cold with her infant. She needed diapers but she was broke. After a stroke, Ms. López was blind in one eye and didn’t work, while her husband was a construction laborer when it was sunny. But his wages — about $7 a day — hadn’t increased while the prices did.

But here, next to a bus stop in the poor suburb of Lomas de Zamora, she didn’t need pesos. Instead, she had sacks of powdered milk, handouts from the government that she could trade in order to make sure her 1-month-old, Milagro, or Miracle in Spanish, had diapers.

Another woman had set up shop on the street corner to barter, and she traded Ms. López a 12-pack of diapers, two bags of sugar and a box of cookies for the powdered milk. Ms. López’s 8-year-old daughter, Mia, immediately tore into the cookies.

“My family, my siblings, they all come here,” she said. “They have lots of children, too.”

During the recession that accompanied the 2001 run on the banks, a half-million people were regularly meeting in so-called “trueque” clubs, or bartering exchanges, to swap goods without pesos. The clubs largely disintegrated over the years, but with inflation again soaring, they are making a comeback.

On a recent Sunday, nearly 100 people hustled among two dozen tables, swapping their wares: used clothes, cleaning supplies, homemade pizza dough, insecticide, fried quince pastries. **To facilitate the trades, they used “créditos,” the club’s own currency, printed onto white paper.**

Women clutched handfuls of the notes as they shopped at their neighbors’ tables. **They all said they preferred the crédito to the peso.**

At one point, an organizer who was selling Avon makeup, Karina Sanchez, paused the cumbia music to make an announcement: They were exchanging older, smaller denomination créditos for newer, larger ones. She showed much older notes worth one-half a crédito. Last year, they introduced a 1,000-crédito note.

Yes, Ms. Sanchez said, the crédito was experiencing inflation, too.

Summary:

- Argentina's economy faces significant inflation, reducing the peso's purchasing power and increasing prices for everyday goods and services.
- With prices constantly fluctuating, businesses struggle to maintain stable pricing. A black market thrives as Argentines, lacking faith in their currency, prefer saving and transacting in U.S. dollars.
- Even in the real estate sector, transactions are completed using dollars. As the peso devalues, dollar-denominated debts become more burdensome.
- Faced with the peso's instability, many Argentines resort to bartering goods and services.
- "Trueque" clubs, where members trade goods using a specific currency called "créditos," are becoming popular again, even though the crédito itself faces inflation.

True-False Questions:

1. **One of the key challenges faced by businesses in Argentina, due to the declining value of the peso, is the difficulty in setting stable prices for goods and services.**
    - **Answer**: True.
    - **Reason**: The article highlights the challenge businesses face with constantly fluctuating prices due to the depreciating value of the peso.
2. **Debts denominated in foreign currencies like U.S. dollars become less burdensome for Argentines when the peso depreciates in value.**
    - **Answer**: False.
    - **Reason**: As the peso devalues, dollar-denominated debts become more challenging to service. Adela Castillo's situation, where her debt grows with each decline in the peso's value, exemplifies this.
3. **Bartering systems, like the "Trueque" clubs in Argentina, offer a complete solution to inflation since they operate outside the traditional monetary system.**
    - **Answer**: False.
    - **Reason**: Even though "Trueque" clubs facilitate trades outside of the peso system, their specific currency, the "crédito," also experiences inflation, as noted by the introduction of newer, larger denomination notes.
4. **In economies facing significant currency devaluation, it's common for citizens to prefer transacting and saving in more stable foreign currencies.**
    - **Answer**: True.
    - **Reason**: The article underscores the Argentines' preference for U.S. dollars over the unstable peso for transactions and savings, especially in sectors like real estate.

5. **A critical implication of the article is that restrictive government policies on foreign currency purchase can inadvertently foster black markets and alternative economic systems.**
    - **Answer**: True.
    - **Reason**: The emergence and thriving nature of the black market for U.S. dollars and the re-emergence of "Trueque" clubs are direct results of the lack of faith in the peso and restrictive government policies.

Venezuela's Collapse Brings 'Savage Suffering'
Dying infants, *chronic power outages* and *empty shelves mark the world's worst-performing economy*
Wsj2.12.16 By anatoly kurmanaev and maolis castro

CARACAS, Venezuela—In a hospital in the far west of this beleaguered country, the economic crisis took a grim toll in the past week**: Six infants died because there wasn't enough medicine or functioning respirators**.

…

Urban farming

In response to growing food shortages, Mr. Maduro last month created a Ministry for Urban Farming. He noted that he has 50 chickens in his own home and that his countrymen also can be taught to farm at home. The move echoes a policy Cuba implemented after the collapse of the Soviet Union in the early 1990s, which cut off aid to Cuba.

…

Venezuela's murder rate has climbed to 90 per 100,000 residents, according to the Venezuelan Violence Observatory, a nongovernment group that focuses on crime. That would be the world's second-highest rate after El Salvador, and far exceeds the U.S. rate of about four per 100,000.

…

Health Crisis

On a recent day at the University Hospital of Maracaibo, in Venezuela's second-largest city, **patients lay on bare beds in rooms with dirty floors. There was no running water, medicine, cleaning supplies or food. Feces floated in the toilets. Medical staffers there said gang members roam the halls, forcing underpaid and harassed doctors to lock themselves in the offices to avoid assaults.**

Venezuelan Crisis Escalates as President's Economic Plans Fuel Tensions
Worries grow that Maduro's measures—including a higher minimum wage and currency devaluation—will paralyze the economy and drive more people to flee
Wsj8.19.18 Kejal Vyas and Ryan Dube

CARACAS, Venezuela—The **exodus of Venezuelans** gained pace as the government's plans to address the collapsing economy fueled anxiety, while tensions grew in neighboring countries that have strained to absorb refugees.

Over the weekend, Venezuela's battered business sector warned that President Nicolás Maduro's plans—including a **leap in the minimum wage, new taxes and a currency devaluation**—would paralyze the economy and drive more people out. **About 2.3 million have fled since 2014**, according to United Nations estimates.

Meanwhile, a mob burned a refugee camp in **Brazil** on Saturday in retaliation for a robbery purportedly committed by four Venezuelans, prompting that country's president, Michel Temer, to order 120 troops to the troubled border. In **Ecuador**, the government on Saturday began requiring Venezuelans to have a passport, which are nearly impossible to obtain. **Peru** said it would follow suit after police arrested five Venezuelan men accused of planning a bank robbery.

Colombia, which has taken in about one million Venezuelans, is awaiting the arrival of a U.S. Navy hospital ship, the Comfort, to provide Venezuelans medical treatment.

For many who remain, it seems as if Venezuela is splitting at the seams. **Rolling blackouts have crimped oil output**, energy consultants said. Heavy rains, meanwhile, have devastated the south and west near Colombia, leaving some villages under water and residents pleading with government officials for help.

…

A former bus driver and union activist, Mr. Maduro trained in Communist Cuba as a young man but never received an education in economics; his primary economic adviser has been Alfredo Serrano, a Spanish leftist who adheres to the theory that the U.S., angry about a socialist government in its hemisphere, is orchestrating the disaster that has befallen this country of 30 million.

..

In Caracas, large parts of the capital don't have running water, and some wealthy residential complexes are drilling their own wells.

…

The outflow of people from what was once Latin America's richest nation has exacerbated tensions in neighboring countries, particularly with poorer classes who have had to compete with Venezuelans desperate for any kind of job.

Maduro Loses Grip on Venezuela's Poor, a Vital Source of His Power
Residents of slums that make up roughly half the population lose faith in the regime after attacks by police and shortages of food and water
Wsj3.19.19 By David Luhnow

((NOTE by the instructor: Venezuela has been suffering from the high infant death rate, basic food shortage, shortage of electricity (frequent power outages), hyper-inflation, and refuges crisis in neighboring countries such as Colombia and Brazil, as people are leaving this country. The following article is a glimpse of that darkness.))

LA VEGA, Venezuela—**This nation's slums have been the backbone of the leftist government for decades**, and one of few remaining bulwarks for President Nicolás Maduro. **They are now turning on the embattled leader—a shift born of economic misery and police violence that could cost him the country.**

Support for Mr. Maduro among Venezuela's poorest fifth of the population has gone from roughly 40% in early 2016 to 18% in February, according to Datanalisis, a respected pollster in Venezuela.

With the U.S. and other countries supporting opposition leader **Juan Guaidó**'s claim to the presidency, Mr. Maduro's loss of support among even impoverished Venezuelans strips him of a crucial base, leaving him to rely on the loyalty of his armed forces and paramilitary groups.

The country's ramshackle slums, known as barrios, hug the hillsides of every large city in Venezuela and make up roughly half the national population…..

Security forces killed 50 people so far this year, mostly in the barrios, according to Foro Penal, a Caracas group that tracks government abuse. Some 653 other people have been arrested this year at protests or for speaking against the government…………….Members of these armed forces wear ski masks and are believed responsible for most of the **estimated 3,717 extrajudicial killings in the past two years**, mostly of suspected criminals in barrios, according to Families of Victims Committee, or Cofavic, a local human-rights group…..

Summary:

The articles provide a grim portrayal of Venezuela's deteriorating economic and social conditions. Due to the economic crisis, essentials like medicine and medical equipment are scarce, leading to tragedies like infant deaths. As a solution to food shortages, President Maduro introduced urban farming, reminiscent of a policy implemented by Cuba in the early 1990s. Moreover, the country's murder rate has surged to one of the highest globally. Hospitals are in terrible condition with no essential supplies and face threats from gang members.

Venezuela's economic conditions have caused a mass exodus of its citizens, with many seeking refuge in neighboring countries. This migration has stressed these countries, leading to some adverse reactions from locals. President Maduro's policies, like the currency devaluation and wage increase, have been criticized for exacerbating the nation's economic woes. The underlying sentiment is that Maduro, with no formal education in economics, is mishandling the situation, with some believing external forces like the U.S. are contributing to the country's decline.

Lastly, even the nation's poorest citizens, who were previously the primary support base for Maduro's leftist government, are turning against him. This shift is attributed to economic hardships and the violent actions of security forces in the slums.

True-False Questions:

1. **Venezuela's economic crisis has resulted in a shortage of essential medicines, leading to several infant deaths in a hospital due to non-functional respirators.**
    - True. The article mentions infant deaths in a hospital because of a lack of medicines and working respirators.
2. **The murder rate in Venezuela is lower than that of the U.S., standing at around 10 per 100,000 residents.**
    - False. Venezuela's murder rate is 90 per 100,000 residents, much higher than the U.S. rate of about four per 100,000.
3. **The Venezuelan government's economic plans, such as currency devaluation, have been praised by businesses and are expected to stabilize the economy.**
    - False. The article mentions that Venezuela's business sector warned that such plans would further paralyze the economy.
4. **The mass migration from Venezuela has been smooth, with neighboring countries readily absorbing the refugees without any social tensions.**
    - False. The articles mention incidents like the burning of a refugee camp in Brazil and stricter entry requirements in Ecuador and Peru.
5. **President Maduro has a Ph.D. in economics, which he earned from a university in the U.S.**
    - False. The article mentions that Maduro trained in Communist Cuba and did not receive an education in economics.

SEC Freezes Swiss Account Over Heinz Trades Wsj2.16.13 by Chad Bray and Jean Eaglesham

The U.S. Securities and Exchange Commission has frozen the assets of a Swiss trading account that allegedly made a series of "highly suspicious" trades reaping about $1.7 million ahead of the blockbuster sale of H.J. Heinz Co. The regulator's move came one day after Heinz said it was selling itself for $23 billion to **Warren Buffett's Berkshire Hathaway Inc. and Brazilian private-equity firm 3G**.

In a lawsuit filed in Manhattan federal court on Friday, the **SEC said the traders invested nearly $90,000 in options** that would gain in value if Heinz's share price rose. A day later, after the deal was announced, the traders stood to reap a profit of more than $1.7 million, the lawsuit said. **Regulators began an inquiry into possible insider trading** very shortly after the deal was announced, alerted by a spike in options trading the day before, according to people close to the investigation. Heinz shares jumped $12.02 to close at the offer price of $72.50 in trading on Thursday after the deal was made public.

Before that, **the stock had traded at about $60 or below since November 2012**, the SEC said—price levels at which the options involved in the trading now under scrutiny would be valueless. The stock ended 4 p.m. composite trading Friday at $72.28 on the **New York Stock Exchange**. The **SEC said the timing and size of the trades were highly suspicious** given the account had no history of trading in Heinz securities in the last six months. Trading in Heinz's options in the several days ahead of the deal's announcement was minimal as well, the SEC said.

SEC investigators don't yet know the number or identity of the traders involved in the suspicious trading. "Despite the obvious logistical challenges of investigating trades involving offshore accounts, we moved swiftly to locate and freeze the assets of these suspicious traders, who now have to make an appearance in court to explain their trading if they want their assets unfrozen," said **Sanjay Wadhwa, senior associate director of the SEC's New York Regional Office**.

Heinz and the investor group weren't accused of any wrongdoing. A spokesman for the investor group, which includes **3G Capital**, declined to comment Friday. **Berkshire Hathaway and Heinz** didn't immediately return phone calls seeking comment. The trades were done through an account at **GS Bank in Zurich, a unit of Goldman Sachs Group Inc**. Goldman wasn't accused of any wrongdoing. "We're cooperating with the SEC's investigation," a Goldman Sachs spokeswoman said Friday.

The **SEC investigators conducting the inquiry are the same team investigating suspicious trading linked to another 3G Capital deal, the 2010 purchase of Burger King**, said a person close to the investigation. The **SEC in September 2012 took emergency action to freeze the assets** of a stockbroker the agency alleged had exploited a tip from a 3G Capital investor to trade ahead of the firm's purchase of the burger chain.

The **Heinz enforcement action is one of the fastest ever filed by the agency**, according to officials. The SEC typically files only one or two emergency actions related to suspected insider trading using options every year, usually to prevent the risk that profits from suspicious trading will vanish offshore. "If we didn't act [to freeze assets] and ended up proving a case of insider trading but the money had gone, it would be a pyrrhic victory," **Daniel Hawke, chief of the SEC's market abuse enforcement unit**, said in a telephone interview.

Summary:

- The U.S. Securities and Exchange Commission (SEC) has frozen a Swiss trading account's assets due to its alleged engagement in suspicious trades that garnered approximately $1.7 million in profits before H.J. Heinz Co.'s major sale announcement.
- This action was taken a day after Heinz made public its $23 billion sale to Warren Buffett's Berkshire Hathaway Inc. and Brazilian firm 3G.
- The lawsuit by the SEC mentions that these traders invested about $90,000 in options that would increase in value if Heinz's share price surged. When the deal was disclosed, these traders were poised to make more than $1.7 million in profit.
- The SEC investigation was triggered by a significant increase in options trading the day before the deal's announcement.
- Despite the fast action, the SEC has not identified the traders involved in these suspicious activities. Both Heinz and the investor group, including 3G Capital, were not implicated in any malpractice.

True/False Questions:

1. **The SEC has frozen assets of a Swiss trading account due to suspicion of making trades that profited around $2 million before H.J. Heinz Co.'s sale.**

    - **False**. The SEC froze assets of a Swiss trading account due to suspicions of making trades that profited about $1.7 million.

2. **Heinz sold itself for $25 billion to Warren Buffett's Berkshire Hathaway Inc. and a Brazilian firm.**

    - **False**. Heinz sold itself for $23 billion.

3. **SEC investigators have identified the traders involved in the suspicious trading.**

    - **False**. The SEC investigators do not yet know the number or identity of the traders.

4. **The SEC usually files around ten emergency actions related to suspected insider trading using options annually.**

    - **False**. The SEC typically files only one or two emergency actions related to suspected insider trading using options every year.

5. **The U.S. Securities and Exchange Commission (SEC) has the authority to freeze assets of trading accounts based outside the U.S. if there's suspicion of illegal activities related to U.S. securities.**

    - **True**. The article shows that the SEC can take action against foreign accounts if they suspect illicit activities related to U.S. securities.

Venezuela's Nemesis Is a Hardware Salesman at a Home Depot in Alabama
His site tracks black-market exchange of the bolivar, swaying the price of everything
Wsj11.20.16 by Anatoly Kurmanaev

HOOVER, Ala.—Public Enemy No. 1 of Venezuela's revolutionary government is **Gustavo Díaz, a Home Depot Inc. employee in central Alabama**.

On his lunch breaks from the hardware section, Mr. Díaz, 60 years old, does more than anyone else to set the price of everything from rice to aspirin to cars in his native Venezuela, influencing the inflation rate and swaying millions of dollars of daily currency transactions.

How? He is president of one of Venezuela's most popular and insurgent websites, DolarToday.com, which provides a benchmark exchange rate used by his compatriots to buy and sell black-market dollars. That allows them to bypass some of the world's most rigid currency controls.

Socialist President Nicolás Maduro has accused DolarToday of leading an "economic war" against his embattled government and vowed to jail Mr. Díaz and his two partners, also Venezuelan expatriates in the U.S. The Venezuelan central bank unsuccessfully filed suit against the website twice in U.S. courts. The government has also turned to hackers to launch constant attacks, Mr. Díaz said, forcing the site to use sophisticated defenses.

"DolarToday is the Empire's strategy to push down the currency and overthrow Maduro," Vice President Aristóbulo Istúriz said earlier this year, asserting that the U.S.—"The Empire" to the Venezuelan government—was orchestrating the site's work. "DolarToday is the enemy of the people." The U.S. State Department declined to comment.

The alleged mastermind of the plot likes to sport a red University of Alabama baseball cap and answers questions at his day job from do-it-yourselfers on what kinds of screws they should use to hang shelves.

Mr. Díaz is a U.S.-trained retired colonel, and he indeed tried to overthrow Mr. Maduro's predecessor, Hugo Chávez, by participating in a short-lived coup in 2002. Mr. Díaz, who had been deputy security chief to the businessman who briefly took power in the ill-fated overthrow, said his conspiring days are over.

Now, he said, he is fighting for economic freedom and for Venezuelans' access to information in a country that makes financial and other data secret. Venezuela is undergoing a brutal recession that has made it hard for most of the country's 30 million people to find enough food and medicine.

"It's ironic that with DolarToday in Alabama, I do more damage to the government than I did as a military man in Venezuela," said Mr. Díaz, a short, soft-spoken man with a gray mane.

He moved in 2005 to Alabama, where a brother and sister were already living, and after being granted political asylum became a citizen.

In Hoover, a suburb of Birmingham, he lives with his wife in a two-bedroom townhouse in a maple-leaf-strewn neighborhood and drives a beat-up 2010 Toyota Corolla with his Home Depot schedule attached to the sun visor. He translates part-time in a city court to make ends meet. Mr. Díaz's 23-year-old son shares a house with friends nearby.

On his rare days off, he sticks to his home nation's favorite pastimes: family and baseball. He hasn't caught Crimson Tide football fever and instead prefers to watch the minor-league Birmingham Barons baseball team. "It's the best you can get in Alabama," he said. Every day, his wife continues to make him arepas, Venezuela's traditional breakfast of corn flour turnovers stuffed with shredded meat and cheese.

Although about $15 million changes hands daily on the Venezuelan black market, Mr. Díaz said he makes little from the Delaware-registered website, which is free to access. The company's three founding partners—Mr. Díaz, a real-estate agent in Miami and a supermarket technology technician in Seattle—recoup $4,500 a month from selling advertising and the browsing data of about 800,000 unique daily visitors to Google.

He sneaks to the bathroom during shifts at Home Depot to check his BlackBerry for gossip about the Venezuelan government sent to him by old friends in the military and the expat media, which always promises an imminent downfall for Mr. Maduro.

"To me, it's still a passionate daily fight against totalitarianism," said Mr. Díaz.

DolarToday began as a Twitter feed that posted the black-market exchange rate for Venezuela's currency, the bolivar. The partners calculated the rate by polling exchange houses in the border city of Cucuta, Colombia. Colombia is the only country that accepts the nearly worthless bolivar. The government has controlled the bolivar's official value since 2003 and bars anyone from quoting informal rates.

DolarToday's Twitter page quickly surpassed two million followers, spawning the website, which mixes the daily exchange rate with any news report that makes the government look bad.

The site's numbers show the country's economic collapse; its rate of about 2,000 bolivars per greenback is a 44% fall since October. Official rates, depending on the type of import, are 10 bolivars per dollar and 660 bolivars per dollar.

DolarToday's rate is used as a reference by a majority of Venezuelan importers that are unable to obtain hard currency through official channels, according to national business groups. In the first half of the year, more than half of Venezuela's private imports were financed by dollars obtained on the black market, according to Caracas-based consultancy Ecoanalitica.

A Caracas dermatologist said she checks the DolarToday rate daily and uses it to buy dollars from patients and acquaintances that she needs to import medicine and new equipment. "It's a universally accepted price. There's never any need for haggling," she said. The Venezuelan government and the central bank didn't respond to requests for comment.

Venezuela closed the border with Colombia in 2015 for a year, stifling trade in dollars and everything else and forcing DolarToday to abandon its old methodology. The website now uses a scanning program to add up dollar buy-and-sell requests posted by Venezuelans on social-media sites. The average rate is then checked against the price offered by big underground exchange houses in Venezuela that serve multinational corporations.

Some Venezuelan economists and black-market currency traders say the sample is too small and easy to manipulate. The partners said it is the best they can do in a country that hasn't released any official economic data for almost two years.

Lately, DolarToday has been trying to deflect rumors from Caracas that the site was sold to a pro-government businessman for millions. “If I would have sold,” Mr. Díaz said, “I would be far away in a Maserati, not driving to Home Depot in a Corolla.”

((update))
Venezuela, Black-Market Currency News Site Square Off in U.S. Court
Lawsuit alleges DolarToday.com is destabilizing Venezuelan economy (Wsj12.17.15 by Kejal Vyas)

CARACAS—**Venezuela’s central bank and the most prominent website publishing information on the country’s currency black market are squaring off in U.S. court where this South American government is seeking the closure of the outlet it blames for destabilizing its entire economy**.

Lawyers for Delaware-registered DolarToday.com on Thursday filed a motion to dismiss the lawsuit submitted by President Nicolás Maduro’s embattled leftist administration in October, in which it accused the site of engaging in cyberterrorism and manipulating Venezuela’s bolivar currency—whose value has fallen 80% in 2015.

…

DolarToday is hugely popular in Venezuela where the government’s rigid currency controls restrict access to U.S. dollars. …

Venezuela’s Nemesis Is a Hardware Salesman at a Home Depot in Alabama
His site tracks black-market exchange of the bolivar, swaying the price of everything
Wsj11.20.16 by Anatoly Kurmanaev

HOOVER, Ala.—Public Enemy No. 1 of Venezuela’s revolutionary government is Gustavo Díaz, a Home Depot Inc. employee in central Alabama. On his lunch breaks from the hardware section, Mr. Díaz, 60 years old, **does more than anyone else to set the price of everything from rice to aspirin to cars in his native Venezuela, influencing the inflation rate and swaying millions of dollars of daily currency transactions.**
How? He is president of one of Venezuela’s most popular and insurgent websites, **DolarToday.com, which provides a benchmark exchange rate used by his compatriots to buy and sell black-market dollars.** That allows them to bypass some of the world’s most rigid currency controls.

Socialist President Nicolás Maduro has accused DolarToday of leading an “economic war” against his embattled government and vowed to jail Mr. Díaz and his two partners, also Venezuelan expatriates in the U.S. The **Venezuelan central bank unsuccessfully filed suit against the website twice in U.S. courts.** The government has also turned to hackers to launch constant attacks, Mr. Díaz said, forcing the site to use sophisticated defenses.

[...]

Mr. Díaz is a U.S.-trained retired colonel, and he indeed tried to overthrow Mr. Maduro’s predecessor, Hugo Chávez, by participating in a short-lived coup in 2002. [...]

Now, he said, he is fighting for economic freedom and for Venezuelans' access to information in a country that makes financial and other data secret. [...]

Although about **$15 million changes hands daily on the Venezuelan black market,** Mr. Díaz said he makes little from the Delaware-registered website, which is free to access. The company's three founding partners—Mr. Díaz, a real-estate agent in Miami and a supermarket technology technician in Seattle—recoup **$4,500 a month from selling advertising and the browsing data of about 800,000 unique daily visitors to Google.**

[...]

DolarToday began as a **Twitter feed that posted the black-market exchange rate for Venezuela's currency, the bolivar.** The partners calculated the rate by polling exchange houses in the border city of Cucuta, Colombia. Colombia is the only country that accepts the nearly worthless bolivar. The government has controlled the bolivar's official value since 2003 and bars anyone from quoting informal rates.
DolarToday's rate is used as a reference by a majority of Venezuelan importers that are unable to obtain hard currency through official channels, according to national business groups. **In the first half of the year, more than half of Venezuela's private imports were financed by dollars obtained on the black market,** according to Caracas-based consultancy Ecoanalitica.
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...

DolarToday is hugely popular in Venezuela where the government's rigid currency controls restrict access to U.S. dollars.

Summary:

- Gustavo Díaz, an employee at a Home Depot in Alabama, is heavily influencing Venezuela's economy through his website, DolarToday.com, which tracks the black-market exchange rate for the Venezuelan bolivar.
- This rate affects the price of commodities and daily currency transactions in Venezuela. Although the Venezuelan government, led by President Nicolás Maduro, has accused DolarToday of undermining the nation's economy and has attempted to shut it down, the site continues to operate.
- Díaz, once involved in an attempt to overthrow Hugo Chávez (Maduro's predecessor), now focuses on providing financial information to Venezuelans in a nation facing economic turmoil and lack of transparency.
- The website calculates the black-market exchange rate using various methods, providing a much-needed benchmark for many in the country who can't access official channels for U.S. dollars.

True-False Questions:

1. **DolarToday.com is a website that provides Venezuela's official exchange rate.**
    - *False*. DolarToday provides the black-market exchange rate, which many Venezuelans use due to strict currency controls in the country.
2. **According to DolarToday’s rate, one US dollar is equivalent to approximately 2,000 bolivars.**
    - *True*. The site’s numbers indicate that its rate is about 2,000 bolivars per US dollar, showcasing the country's economic collapse.
3. **The Venezuelan government and central bank frequently communicate with DolarToday for collaborations.**
    - *False*. They have been adversarial, with the Venezuelan government trying to shut the site down and not responding to requests for comment.
4. **Venezuela's central bank has initiated legal action against DolarToday in Venezuela's courts.**
    - *False*. The Venezuelan central bank filed a lawsuit against DolarToday in U.S. courts, not in Venezuela.
5. **President Nicolás Maduro of Venezuela views DolarToday as a beneficial platform for the nation's economy and often endorses it in his public addresses.**
    - *False*. President Nicolás Maduro accuses DolarToday of leading an "economic war" against his government and has taken actions to try and shut it down.
6. **The currency conversion rate provided by DolarToday, which showcases the economic collapse of Venezuela, suggests that one US dollar is worth around 2,000 bolivars, in stark contrast to the country's official rates.**
    - *True*. The site’s rate is indeed about 2,000 bolivars per US dollar, contrasting heavily with official rates.

End of Libor Creates Uncertainty for **CME's Giant Eurodollar Market**

Navigating the transition from Libor to another benchmark rate is **critical for CME**, which has made billions of dollars from Eurodollar futures Wsj11.21.19 Alexander Osipovich

The clock is ticking on a huge futures market where nearly **$3 trillion changes hands on an average day**. **Eurodollar futures**, which let traders bet on moves in short-term interest rates, are poised for the biggest shake-up since they were introduced on the **Chicago Mercantile Exchange in 1981**.

The reason: the looming end of the **London interbank offered rate**, the interest-rate benchmark that was at the center of a manipulation scandal earlier this decade. **Libor's future** is unclear after the end of 2021, when regulators have called for its replacement. That is forcing the exchange's owner, **CME Group Inc.**, to overhaul Eurodollar futures, which track Libor.

The transition will affect a variety of firms that use Eurodollar futures. These include hedge funds that use them to speculate on **Federal Reserve policy changes** and banks that use them to protect themselves against interest-rate hikes when they lend money. The contracts are known as "Eurodollar" futures because they were initially tied to the interest rate paid on dollar deposits outside the U.S., particularly in Europe.

Price swings are based on what the market perceives the future value of Libor to be. That allows the futures to be used to either bet on, or hedge against, moves in the benchmark rate. Now, navigating the end of Libor is **critical for CME Group**, which sees far more trading activity in Eurodollars than in markets such as oil or wheat futures. CME doesn't break down revenue by individual products, but it has made billions of dollars from Eurodollars over the years.

Of the **$3.7 billion in revenue** that CME collected in the first three quarters of 2019, about 11%, or about $415 million, came from Eurodollar futures and options, according to estimates by research firm **Equity Research Desk**. CME hopes to keep that business alive by transforming its Eurodollar futures into similar contracts tied to the **Secured Overnight Financing Rate, or SOFR**—the new benchmark interest rate that Fed officials are pushing as a replacement for Libor.

Under CME's proposed plan, a formal declaration that Libor is dead would trigger the automatic conversion of all Eurodollar futures outstanding into **SOFR futures**, with a price adjustment to account for differences between the two contracts. CME floated details of its plan in a video posted on its website last week. The shift may be bumpy. Trading activity has been thin in SOFR futures, which were launched on CME last year, and the market is largely untested.

There are also concerns about the underlying benchmark. **SOFR** is based on borrowing rates for overnight repurchase agreements, or repos, an obscure part of the financial system where banks and other Wall Street firms raise short-term funding. In September, a bout of **repo-market volatility** briefly caused SOFR to jump to a record 5.25%, about 3 percentage points above its usual range.

The episode raised doubts about the new benchmark and rattled the Fed's efforts to get companies to adopt SOFR, which had already been going slowly. Some CME traders think uncertainty over the transition has fueled a slowdown in the Eurodollar market.

The total number of **Eurodollar futures outstanding**, a measure called open interest, fell 16% in October from a year ago. It has hovered around 12 million since mid-September, the last time a quarterly Eurodollar contract expired.

Typically, open interest drops when one of the quarterly contracts expires in March, June, September or December, before climbing again over the next quarter. "It feels like the end has pretty much started if you look at how much open interest has poured out of Eurodollar futures," said Ryan Carlson, an independent futures trader who has traded the contract since 2002. Other traders disagree, saying the slowdown was more likely caused by the Fed's decision to hold interest rates steady after three rate cuts this year.

A CME spokeswoman said: "Our Eurodollar futures and options are deeply liquid." Rivals have spotted an opportunity to grab business from CME, which enjoys a near-monopoly on U.S. interest-rate futures. CME's largest competitor, **Intercontinental Exchange Inc.**, known as ICE, has its own SOFR futures contract. And CME's crosstown rival, **Cboe Global Markets Inc.**, offers a fledgling futures market on Ameribor, an alternative to Libor based on lending between smaller U.S. banks. "Everyone wants to get a piece of CME's trophy product," said Steve Beitler, chief executive of brokerage TJM Investments.

CME has listed the shift to post-Libor futures and options as a risk to its business. "There is no guarantee that a transition to such contracts would be successful and would replace the revenue we derive from our Eurodollar contracts if the trading volume were to decline or discontinue altogether," CME said in a **regulatory filing** in February.

So far, CME is keeping ahead of its rivals. Just over 1 million **SOFR futures contracts** changed hands at CME last month, compared with about 127,000 at ICE, according to data from FIA, an industry group. Meanwhile, Cboe data show 2,680 of its Ameribor futures contracts were traded in October.

CME has overcome threats to its Eurodollar franchise before. In the 2000s it beat an effort by a Swiss-German rival, **Eurex**, to enter the U.S. interest-rate futures market. It also successfully moved Eurodollars from an old-fashioned trading floor—which was nearly the size of a football field, with more than 1,500 traders and clerks—to the largely electronic market that exists today.

Still, CME faces a high-wire act in disentangling its Eurodollar business from Libor, market veterans say. "It's a tricky situation for CME," said Neal Wolkoff, a former executive at the **New York Mercantile Exchange**, which was purchased by CME in 2008. "It's an incredibly important market, not just for CME, but for the financial world."

Summary: The impending discontinuation of the London interbank offered rate (Libor), which has been a key benchmark rate for years, is leading to significant changes in the Eurodollar futures market, a market where approximately $3 trillion is traded daily.

The CME Group Inc., owner of the Chicago Mercantile Exchange where Eurodollar futures were introduced in 1981, has been heavily reliant on these futures. Eurodollar futures allow participants to bet on the direction of short-term interest rates.

Due to the uncertain future of Libor post-2021, CME is considering converting its Eurodollar futures to futures tied to the Secured Overnight Financing Rate (SOFR), a potential replacement for Libor. However, there have been concerns regarding the stability of SOFR.

As CME plans this transition, its competitors are seeing an opportunity to challenge its dominance in the U.S. interest-rate futures market.

True-False Questions:

1. **The Eurodollar futures market sees a daily transaction volume of approximately $3 trillion.**
   - **Answer**: True.
   - **Reason**: The article mentions, "The clock is ticking on a huge futures market where nearly $3 trillion changes hands on an average day."
2. **Eurodollar futures were initially associated with the interest rate on U.S. dollar deposits within the U.S.**
   - **Answer**: False.
   - **Reason**: Eurodollar futures were originally linked to the interest rate on dollar deposits outside the U.S., particularly in Europe.
3. **CME Group Inc. plans to replace its Eurodollar futures with contracts tied to the London interbank offered rate (Libor).**
   - **Answer**: False.
   - **Reason**: CME plans to convert its Eurodollar futures to contracts tied to the Secured Overnight Financing Rate (SOFR), not Libor.
4. **The underlying benchmark for SOFR is based on borrowing rates for repos.**
   - **Answer**: True.
   - **Reason**: The article states that SOFR is based on borrowing rates for overnight repurchase agreements, also known as repos.
5. **The discontinuation of Libor primarily impacts the forex market, with minimal implications for interest rate futures.**
   - **Answer**: False.
   - **Reason**: The impending end of Libor has significant implications for the Eurodollar futures market, a primary tool for betting on short-term interest rate movements.

SUMMARY OF VENEZULA POWERPOINT

Venezuela has experienced significant devaluations of its currency, the bolivar, over the past few decades. A timeline of the bolivar's exchange rate against the U.S. dollar from 1999 to 2010 reveals notable devaluations in February 2004, March 2005, and January 2010. In January 2011, the government eliminated the preferred exchange rate for import essentials.

The country has also seen **a substantial difference between the official exchange rate and the gray market exchange rate for the bolivar**. In an attempt to halt capital outflows from Venezuela, **the government instituted capital controls in January 2003**.

Frequent devaluations have been a persistent issue in Venezuela for many years. The bolivar has undergone several transformations, such as the introduction of the bolivar fuerte (BsF) in March 2008, where 1 BsF equaled 1000 old bolivars (Bs). More recently, in October 2021, the bolivar digital (BsD) was introduced, with 1 BsD equaling 100,000,000,000,000 Bs (old bolivar).

According to a Wall Street Journal report from February 2016, **Venezuela announced its first gasoline price increase in nearly two decades and devalued its local currency**. The price of 95-octane gasoline rose from 0.4 bolivars to 22 bolivars per gallon. However, due to the government's rigid currency controls, fuel remained priced at about 2 U.S. cents per gallon at the black market rate.

Venezuela's economy is heavily dependent on oil, which accounts for 96% of its exports. Under the government's centralized system, revenue from oil sales is first transferred to the central bank before being distributed throughout the economy.

These factors, including frequent currency devaluations, strict government controls, and a heavy reliance on oil exports, have contributed to the economic challenges faced by Venezuela in recent years.

1. The bolivar has experienced frequent devaluations over the past few decades.

   Answer: True Reasoning: Venezuela has seen frequent devaluations of its currency for the past decades, as evidenced by the timeline from 1999 to 2010 and the historical context provided.

2. In March 2008, 1 bolivar fuerte (BsF) was equal to 100 old bolivars (Bs).

   Answer: False In March 2008, 1 BsF was equal to 1000 Bs (old bolivar), not 100 Bs.

3. The bolivar digital (BsD) was introduced in October 2021.

   Answer: True The bolivar digital (BsD) was introduced in October 2021.

4. The price of 95-octane gasoline increased from 0.4 bolivars to 22 bolivars per gallon in February 2016.

   Answer: True The price of 95-octane gasoline rose from 0.4 bolivars to 22 bolivars per gallon.

5. Oil accounts for 86% of Venezuela's exports.

   Answer: False Venezuela is almost completely reliant on oil, which accounts for 96% of its exports, not 86%.

6. In Venezuela's centralized system, proceeds from oil sales are transferred to the central bank before being distributed throughout the economy.

   Answer: True Under the government's centralized system, proceeds from oil sales are transferred to the central bank before being distributed throughout the economy.

7. Venezuela's economy has faced challenges due to factors such as currency devaluations and heavy reliance on oil exports.

   Answer: True The frequent currency devaluations, strict government controls, and a heavy reliance on oil exports, suggests that these factors have contributed to the economic challenges faced by Venezuela in recent years.